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SOUTHEAST ASIA

1. Burma may appeal to UN on Chinese Nationalist problem:

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The Burmese commander in North Burma, Brigadier Blake, claims to have conclusive evidence that specially trained Chinese Communist troops have penetrated Chinese Nationalist

forces in Burma over the past six months. He attributes the recent aggressiveness of the Chinese Nationalists in openly attacking Burmese forces to a change in policy induced by "deserters" from the Chinese Communist Army.

Blake states that Burma has sufficient evidence to accuse the United States, Thailand, and Formosa in the UN on the Chinese Nationalist issue. The American Army Attache believes that a Burmese appeal to the UN is inevitable if the Nationalist problem is not solved.

Comment: Chinese Communist penetration of Nationalist forces in Burma has been rumored in the past but never confirmed. Such infiltration, which is quite possible, would add considerably to the many difficulties likely to be encountered in any attempt to evacuate the Nationalists to Formosa. Burmese officials have in the past 10 days been emphasizing the necessity for an immediate solution to the Nationalist problem.



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The Burmese have also been deterred from a UN appeal because it might adversely affect their relations with friendly countries.

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2. Burmese Government reluctant to prohibit shipment of rubber to China:

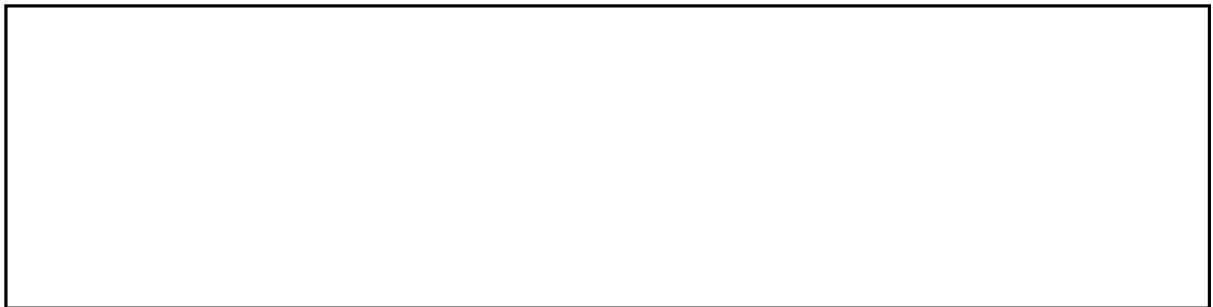
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The Burmese Government is reluctant to forbid rubber exports to Communist China because such a step would be inconsistent with Burma's neutral foreign

policy and might invite retaliation by Peiping. The Burmese Labor Minister has informed the American Embassy in Rangoon that the cabinet is now studying the problem in view of the possible effects on Burma's internal and foreign policies of the change in the mission of the Seventh Fleet.

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According to the American Embassy in Rangoon, the Burmese Government's fear that the change in the Seventh Fleet's mission might lead to reinforcement of Chinese Nationalist forces in Burma may result in a stricter application of its neutral foreign policy.

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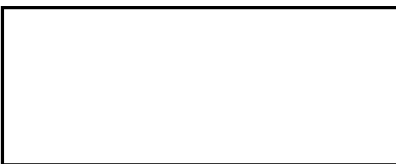
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EASTERN EUROPE

4. Finnish Government will refuse chartering of tankers for China trade:

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The Finnish Government has informed the American Legation in Helsinki that it will permit no further chartering of tankers for the China trade. This de-

cision will be presented to the public as an agreement among shipowners who cannot risk the possible economic loss resulting from such voyages.

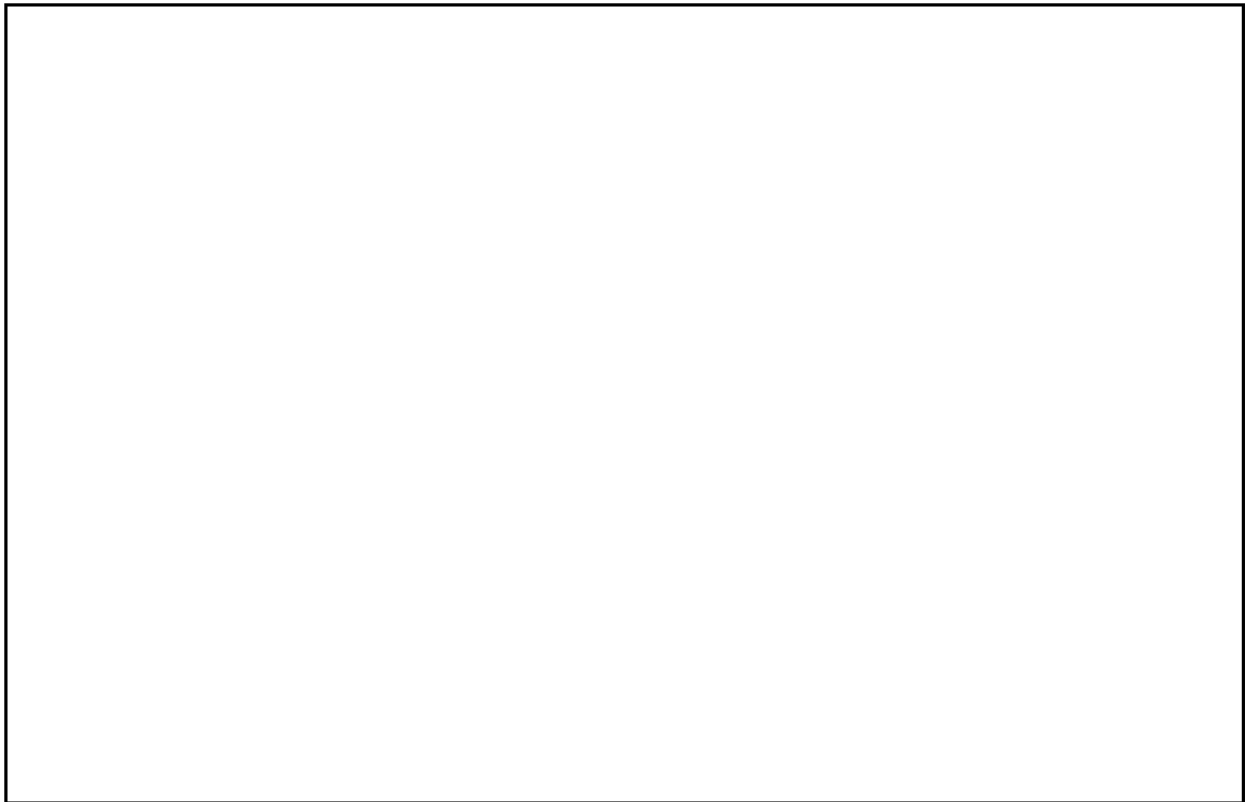
The tanker Wiima, enroute to China from Constanta with a load of kerosene, will be diverted to Singapore.

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Comment: In view of this decision, it is unlikely that the Finnish tanker Neste, which is under a one-year charter to Poland and is reported enroute to Constanta to load kerosene for China, will be permitted to complete its voyage.

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WESTERN EUROPE

6. French see threat to EDC ratification in proposal to increase West German border police:

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The French Deputy High Commissioner in Bonn stated on 7 February that if West Germany proceeds with its plans to increase its border police from 10,000 to

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20,000 men, the effect on the chances of French ratification of the EDC would be "catastrophic." He said that he was under instructions from Paris not to agree to the increase, and again argued that the Germans are trying to establish the nucleus of a national army outside EDC control.

The American and British Deputy High Commissioners agreed that Chancellor Adenauer should be urged to delay action pending Allied-German discussions, but felt that the proposed police increase would simplify Allied efforts to control illegal border crossings.

Comment: An outright veto of the proposed increase in the federal border police might add to Adenauer's difficulties in obtaining EDC ratification. Bundestag deputies are already annoyed at Paris over the recruitment of Germans for the French Foreign Legion.

7. West German Social Democrats now believe US would oppose German national army:

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According to a prominent West German Social Democrat, party chairman Erich Ollenhauer was apparently convinced by Secretary Dulles that the US would oppose the formation of a German national army under any conditions. However, Ollenhauer, who heads the major opposition party in the Bundestag, still believes that the treaties will not be ratified in Paris, and perhaps not in Bonn.

Comment: Although the Social Democrats will continue to reject the treaties, their opposition had previously been fortified by the belief that Washington would support a German national army should EDC fail.

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